

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 EA-06 /026 W

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P R 310715Z MAR 75

FM AMCONSUL ISTANBUL

TO SECSTATE WASHDC PRIORITY 5936

INFO /AMEMBASSY ANKARA 7208

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YL USE ISTANBUL 0998

EO 11652: N/A

TAGS: BEXP, TU

SUBJECT: MAJOR PROXJECT - PENDIK SHIPYARD

REF: (A) STATE 71006; (B) ISTANBUL 803 AND PREVIOUS

1. WE HAVE JUST LEARNED THAT TURKISH MARITIME BANK HOPES TO MAKE DECISION AND SIGN CONTRACT FOR TECHNICAL COOPERATION AGREEMENT FOR PENDIK SHIPYARD IN NEXT TEN DAYS TO TWO WEEKS. WE UNDERSTAND THAT MCMULLEN IS NOT AMONG THOSE FIRMS UNDER ACTIVE CONSIDERATION. THE THREE TOP FIRMS LISTED IN ORDER ARE: IHI (JAPANESE); AKER(NORWAY); AND SWAN HUNTER (U.K.). JAPANESE HAVE DETAILED KNOWLEDGE OF PROJECT FROM 1970-73 PERIOD WHEN IHI HAD INTENSIVE NEGOTIATIONS WITH TURKISH MARITIME BANK AND TURKISH GOVERNMENT FOR CONSTRUCTION PENDIK SHIPYARD INVOLVING SIZEABLE JAPANESE INVESTMENT. DEAL FINALLY FELL THROUGH REPORTEDLY BECAUSE IHI INSISTED ON 57 PERCENT OWNERSHIP AND ALSO BECAUSE IT UNABLE TO FULFILL COMMITMENT FOR LONG TERM FINANCING AT LOW INTEREST RATE. THIS LEFT CONSIDERABLE RESIDUE OF ILL WILL AND FOR THIS REASON, ALTHOUGH JAPANESE HAVE APPARENTLY MADE BEST OFFER, IT IS CONSIDERED LIKELY THAT AKER WILL OBTAIN CONTRACT. WE UNDERSTAND THAT MANAGING DIRECTOR OF SHIPYARDS IS SCHEDULED TO VISIT NORWAY IN ABOUT ONE WEEK.

2. IN ORDER FOR MCMULLEN TO COME UNDERCONSIDERATION IT APPEARS ESSENTIAL THAT MCMULLEN BE PREPARED TO LOWER PRICE TO BRING IT TO LEVEL OF NORWEGIAN AND BRITISH FIRMS' PROPOSALS AND EITHER

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MCMULLEN TEAM (INCLUDING PERHAPS AMERICAN SHIPBUILDING AND VAN

HOUTEN REPS) WHO ARE KNOWLEDGEABLE ON TECHNICAL ASPECTS OF PROJECT AND EMPOWERED TO NEGOTIATE SHOULD VISIT TURKEY WITHIN NEXT WEEK, OR ALTERNATIVELY, SHIPYARD'S MANAGING DIRECTOR SHOULD BE INVITED TO NEW YORK AT COMPANY'S EXPENSE FOR DISCUSSIONS.

3. LOCAL PARTNER IS NOT RPT NOT PREREQUISITE TO OBTAINING CONTRACT BUT SUITABLE LOCAL REP. WITH GOOD CONTACTS IN MARITIME BANK WILL PROBABLY BE ESSENTIAL.

4. CONGEN WILL PROVIDE FULL ASSISTANCE TO MCMULLEN BUT BELIEVES EFFORT WILL NOT BE SUCCESSFUL UNLESS FIRM IS PREPARED TO MOVE ALONG LINES OUTLINED PARA 2.

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